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C O N F I D E N T I A L SECTION 01 OF 02 ZAGREB 000094

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SUBJECT: 2003: CRITICAL YEAR FOR RETURNS TO CROATIA

CLASSIFIED BY: POLITICAL OFFICER DARREN TAYLOR, REASONS 1.5 (B) AND (D)

SUMMARY

11. (C) CUTS IN THE INTERNATIONAL COMMUNITY'S PRESENCE AND
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FUNDING IN CROATIA WILL MAKE THIS YEAR CRITICAL FOR REFUGEE RETURNS. OVER THE NEXT 12 MONTHS, A BUDGET-STRAPPED UNHCR WILL DRAW DOWN ITS IN-COUNTRY OPERATIONS, REDUCING STAFF BY 60 PERCENT. KEY PRM-AND EU-FUNDED PROGRAMS ARE SET TO SHUT DOWN. THESE DEVELOPMENTS ARE OCCURRING EVEN AS THE NUMBER OF RETURNS IN 2002 DECREASED COMPARED TO 2001 LEVELS. THE INTERNATIONAL COMMUNITY MUST USE ALL ITS LEVERAGE IN THE CLOSING WINDOW OF OPPORTUNITY TO PUSH THE GOC TO PROMOTE RETURNS BEFORE THE IMPACT OF UNHCR'S DOWNSIZING AND LOSS OF KEY PROGRAMS IS FELT. THE BURDEN OF PROMOTING, FACILITATING AND FUNDING REFUGEE RETURNS IS INCREASINGLY FALLING ON THE SHOULDERS OF THE GOC, BUT ALL EXPERIENCE ARGUES THAT THE GOVERNMENT WILL NOT VIEW RETURNS WITH ANY SENSE OF COMMITMENT OR URGENCY -- PARTICULARLY AS GENERAL ELECTIONS APPROACH.
END SUMMARY.

UNHCR SAYS TIME IS NOT ON ITS SIDE

12. (SBU) "THE INTERNATIONAL COMMUNITY HAS EXACTLY ONE YEAR TO MAKE A BIG PUSH ON REFUGEE RETURNS." THIS WAS HOW UNHCR'S TALENTED CHIEF OF MISSION, OLUSEYI BAJULAIYE, SUMMED UP THE SITUATION FOR US RECENTLY. THE UNHCR MISSION IN CROATIA IS PLANNING TO REDUCE ITS FIELD PRESENCE DRASTICALLY AND PHASE OUT MOST OF ITS RETURN-RELATED ASSISTANCE PROGRAMS BY THE END OF 2003. FOR THE NEXT SEVERAL MONTHS, IT WILL MAINTAIN A HEADQUARTERS IN ZAGREB AND THREE FIELD OFFICES IN OSIJEK, KNIN, AND SISAK, WITH A TOTAL OF ABOUT 80 STAFF. UNHCR'S STAFF WILL BE CUT BY 60 PERCENT BY THE END OF THE YEAR, WHICH WILL MAKE IT IMPOSSIBLE FOR UNHCR TO MONITOR REFUGEE DEVELOPMENTS AND SUPPORT RETURNS THROUGHOUT THE COUNTRY.

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SENIOR UNHCR OFFICIALS, HOWEVER, NOTE THAT THE RETURN PROCESS IS FAR FROM OVER; THERE ARE CURRENTLY 228,000 CROATIAN SERB REFUGEES IN THE FRY AND ANOTHER 23,000 IN REPUBLIKA SRPSKA IN BOSNIA, OF WHOM UNHCR ESTIMATES THAT AT LEAST 30 PERCENT WOULD LIKE TO RETURN TO CROATIA UNDER THE RIGHT CONDITIONS.

13. (SBU) BAJULAIYE AND OTHER SENIOR UNHCR OFFICIALS RECENTLY CAUTIONED THAT BUDGETARY SHORTFALLS COULD FORCE THE MISSION TO IMPLEMENT PLANNED CUTS SOONER THAN INITIALLY EXPECTED. FUNDING FOR ITS REQUESTED 7.8 MILLION USD BUDGET THIS YEAR HAS NOT BEEN SECURED. OF THAT AMOUNT, 5.5 MILLION USD WOULD BE USED FOR PROGRAM ACTIVITIES INCLUDING RETURN AND REPATRIATION, REGISTERING REFUGEES AND INTERNALLY DISPLACED PERSONS IN BOSNIA AND THE FRY, PROVIDING LEGAL ASSISTANCE, AND HANDLING ASYLUM CASES. APPEALS HAVE BEEN MADE TO THE INTERNATIONAL COMMUNITY FOR FUNDING TO ENSURE THAT UNHCR CAN SATISFACTORILY CONCLUDE ITS MANDATE FOR CROATIA UNDER THE DAYTON PEACE ACCORDS.

14. (SBU) TO USE INCREASINGLY SCARCE RESOURCES MORE EFFICIENTLY, UNHCR HAS BEGUN TO COOPERATE MORE CLOSELY WITH THE OSCE ON KEY ISSUES RELATED TO REFUGEE RETURNS. UNHCR AND OSCE MISSIONS ARE PRODUCING JOINT MONITORING REPORTS REGARDING THE GOC'S PERFORMANCE IN IMPLEMENTING LEGISLATION AND MEETING SELF-IMPOSED DEADLINES ON REFUGEE-RELATED ISSUES. THIS GREATER COORDINATION, OFFICIALS AT BOTH ORGANIZATIONS HAVE TOLD US, WILL HELP THE ORGANIZATIONS MONITOR DEVELOPMENTS BETTER IN THE FIELD AND TO PRESSURE THE GOC TO TAKE ACTION ON PROPERTY ISSUES TO CREATE AN ENVIRONMENT CONDUCIVE TO PROMOTING RETURNS. IN ADDITION, UNHCR HAS BEGUN
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THE PROCESS OF IMPROVING THE CAPACITY BUILDING OF KEY NGOS TO ALLOW THEM GRADUALLY TO TAKE OVER SOME UNHCR RESPONSIBILITIES. GREATER COORDINATION WITH UNHCR AND OSCE MISSIONS IN THE FRY AND BIH IS ALSO UNDERWAY.

PRM AND EU FUNDING ALSO SET TO END

15. (SBU) AS UNHCR IS PREPARING TO REDUCE ITS ROLE, PRM

FUNDING, WHICH HAS BEEN CRITICAL IN SUPPORTING RETURNS THROUGHOUT CROATIA, WILL END IN JUNE. PRM'S BUDGET FOR CROATIA COVERING PROGRAMS FROM MAY 2002 TO JUNE 2003 IS SLIGHTLY OVER 3 MILLION USD. ENDING THE PROGRAMS PROVIDED BY PRM'S FOUR IMPLEMENTING PARTNERS -- AMERICAN REFUGEE COMMITTEE (ARC), CATHOLIC RELIEF SERVICES (CRS), INTERNATIONAL CATHOLIC MIGRATION COMMISSION (ICMC), AND THE INTERNATIONAL RESCUE COMMITTEE (IRC) -- WILL LEAVE A MAJOR GAP IN PROVIDING KEY SERVICES TO REFUGEES. THE SERVICES INCLUDE GRANTING SMALL-SCALE HOUSING REPAIRS, FOOD AID PACKAGES, PROVIDING LEGAL ASSISTANCE, AND OTHER HOUSEHOLD ITEMS AIMED AT PROVIDING IMMEDIATE SUPPORT TO THOSE WHO RETURN.

16. (SBU) PRM PARTNERS, SUCH AS IRC AND ICMC, ARE ALSO INVOLVED IN FACILITATING CROSS-BORDER RETURNS FROM BIH AND THE FRY. WITH THE CLOSURE OF PRM-FUNDED PROGRAMS IN JUNE, CROSS-BORDER RETURNS WILL BE DRAMATICALLY AFFECTED DURING THE

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ACTION PRM-00

INFO	LOG-00	NP-00	AID-00	CIAE-00	INL-00	DODE-00	DOTE-00
	PERC-00	SRPP-00	DS-00	EB-00	EUR-00	OIGO-00	FAAE-00
	FBIE-00	VC-00	HHS-01	H-01	SSA-01	TEDE-00	INR-00
	IO-00	LAB-01	L-00	VCE-00	AC-01	NSAE-00	NSCE-00
	OIC-02	OMB-01	DHS-00	OPIC-01	PA-00	PM-00	PRS-00
	ACE-00	P-00	SCT-00	SP-00	IRM-00	SSO-00	SS-00
	STR-00	TRSE-00	T-00	USIE-00	ECA-00	PMB-00	DSCC-00
	DRL-02	G-00	NFAT-00	SAS-00	SWCI-00	/011W	

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HEIGHT OF RETURN SEASON. MOST IMPORTANTLY, MANY OF THE PRM IMPLEMENTING PARTNERS WILL HAVE TO CLOSE ONCE THE FUNDING RUNS OUT. SOME PRM PARTNERS, HOWEVER, WILL CONTINUE TO RECEIVE FUNDING FROM OTHER SOURCES. THE LOSS OF THEIR PRESENCE IN POTENTIAL RETURN COMMUNITIES WILL ONLY SERVE TO MAKE REFUGEES MORE RELUCTANT TO RETURN. MANY REFUGEE COMMUNITIES HAVE A FAVORABLE VIEW OF THESE ORGANIZATIONS AND

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ARE WILLING TO RETURN BECAUSE THEY HAVE RECEIVED DIRECT ASSISTANCE FROM THEM.

17. (SBU) ANOTHER KEY IC INITIATIVE THAT WILL BE WRAPPING UP BY THE END OF 2003 IS THE EU'S HOUSING CONSTRUCTION PROGRAM, WHICH HAS HAD A MAJOR IMPACT ON RETURNS THUS FAR. THE EU DESIGNATED 10 MILLION USD FOR THE PROGRAM LAST YEAR FOR THE CONSTRUCTION OF 1000 HOMES, ALMOST 400 OF WHICH WERE COMPLETED BY THE END OF 2002. THE REMAINING 600 WILL LIKELY BE COMPLETED BY THE END OF THIS YEAR. LOCAL EC OFFICIALS STRESS THAT THE PROGRAM, WHICH WILL AID IN THE EVENTUAL RETURN OF ABOUT 4,000 REFUGEES, WILL NOT BE EXTENDED BEYOND THIS YEAR. THEREFORE, THE RESPONSIBILITY FOR HOUSING CONSTRUCTION AND RECONSTRUCTION WILL FALL SOLELY ON THE GOC, WHICH ESTIMATES THAT THE TOTAL COST WILL BE UP TO 800 MILLION USD. GOC OFFICIALS CONTINUE TO STRESS THAT THIS IS A SUBSTANTIAL BURDEN FOR A COUNTRY WITH AN ANNUAL BUDGET OF ABOUT 10 BILLION USD.

RETURNS LEVELING OFF

18. (SBU) THE REDUCTION OF INTERNATIONAL PERSONNEL AND FUNDING FOR REFUGEE-RELATED ISSUES IS COMING AT A TIME WHEN ACTUAL RETURNS ARE ALSO LEVELING OFF. IN 2002, AROUND 11,000 REFUGEES RETURNED TO CROATIA. THIS IS COMPARED TO ABOUT 12,000 RETURNS IN 2001, ACCORDING TO UNHCR FIGURES. ONE OF THE MORE POSITIVE TRENDS NOTED LAST YEAR WAS THE RETURN OF YOUNGER REFUGEES, IN CONTRAST TO THE USUAL FLOW OF PENSIONERS. UNHCR ESTIMATES THAT AT LEAST 20,000 REFUGEES WOULD RETURN THIS YEAR IF THE GOC MADE PROGRESS ON

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REPOSSESSION AND RECONSTRUCTION OF PROPERTY. THIS FIGURE COULD INCREASE IF KEY ISSUES SUCH AS OCCUPANCY/TENANCY RIGHTS AND SOCIAL SECURITY ENTITLEMENTS WERE ADDRESSED.

COMMENT

19. (C) A REDUCTION IN UNHCR'S ROLE IN CROATIA HAS BEEN ANTICIPATED FOR SOME WHILE. IN JUNE 2002, AFTER HIS CUTOFF THREAT SHOCK TACTIC, HIGH COMMISSIONER RUUD LUBBERS DESCRIBED 2003 AS THE FINAL YEAR OF UNHCR'S DIRECT INVOLVEMENT IN THE RETURN PROCESS IN CROATIA. WHAT HAS BECOME INCREASINGLY APPARENT IN RECENT MONTHS IS THAT MANY OF THE NGOS IMPLEMENTING UNHCR PROGRAMS WILL BE SEVERELY Affected BY THE LACK OF FUNDING ONCE UNHCR COMPLETES ITS DRAW-DOWN. THE ADDITIONAL BURDEN THAT SOME OF THESE NGOS WILL FEEL BECAUSE OF THE LOSS OF PRM-FUNDED CONTRACTS WILL MAKE IT DIFFICULT FOR THEM TO SURVIVE IN CROATIA. SOME ARE ALREADY PLANNING TO LEAVE, WHICH WILL DRAMATICALLY AFFECT THE INTERNATIONAL COMMUNITY'S ABILITY TO DELIVER SERVICES TO RETURNING REFUGEES. THEIR DEPARTURE WILL ALSO RAISE DOUBTS AMONG REFUGEES CURRENTLY IN THE FRY AND BIH OVER WHETHER THEY SHOULD RETURN.

10. (C) GOC LEADERS FREQUENTLY TELL US THEY WELCOME THE RETURN OF REFUGEES, BUT THEIR ACTIONS DO NOT SUPPORT THEIR RHETORIC. THE DOWNSIZING OF UNHCR AND LOSS OF KEY REFUGEE-RELATED ASSISTANCE PROGRAMS WILL PLACE AN INCREASED BURDEN ON THE GOC TO PROVIDE CARE FOR ALL OF ITS CITIZENS, PARTICULARLY THE MOST VULNERABLE. JUDGING BY THE GOC'S TRACK RECORD, WE SEE NO REASON FOR OPTIMISM.

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11. (C) WE WILL INCREASE COORDINATION WITH OTHER INTERNATIONAL COMMUNITY PARTNERS TO ACCELERATE THE RETURN PROCESS WHILE THERE IS STILL TIME. THE AMBASSADOR, ALONG WITH HIS COUNTERPARTS FROM THE UN, EU, OSCE AND UNHCR, ARE SEEKING A SECOND MEETING WITH PM RACAN TO GAIN HIS COMMITMENT TO RESOLVING REFUGEE ISSUES AND TO CLARIFY HOW THE GOC PLANS TO ADDRESS REFUGEE-RELATED ISSUES IN THE WAKE OF A DECLINING INTERNATIONAL PRESENCE. WHILE WE WILL KEEP THE PRESSURE ON HERE, WE WILL NEED EU AND NATO OFFICIALS IN BRUSSELS AND OTHER CAPITALS TO STRNGTHEN OUR HAND BY SENDING A CLEAR MESSAGE TO THE GOC THAT EU AND NATO MEMBERSHIP WILL REMAIN A DISTANT GOAL UNTIL SUBSTANTIAL PROGRESS IS MADE ON REFUGEE RETURNS. THERE WILL BE AMPLE OPPORTUNITIES TO DELIVER SUCH A MESSAGE OVER THE NEXT SEVERAL WEEKS WHEN GOC OFFICIALS BEGIN TO VISIT EU CAPITALS TO PRESENT THEIR CASE FOR EU MEMBERSHIP. GOC OFFICIALS CONTINUE TO INSIST THAT CROATIA WILL SUBMIT IT APPLICATION FOR EU MEMBERSHIP BY EARLY SPRING.

12. (U) BELGRADE MINIMIZE CONSIDERED.
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